

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Laketown Township	County Allegan
Fiscal Year End March 31, 2006	Opinion Date August 4, 2006	Date Audit Report Submitted to State 9-28-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

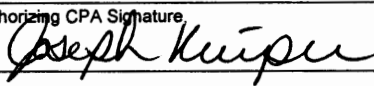
YES ☒ NO ☐

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Kiekoover, Scholma & Shumaker, PC		Telephone Number 616-772-4615	
Street Address 205 East Main Street		City Zeeland	State MI
		Zip 49464	
Authorizing CPA Signature 		Printed Name Joseph Kuiper	License Number A256574

**LAKETOWN TOWNSHIP**  
**ALLEGAN COUNTY, MICHIGAN**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED MARCH 31, 2006**

**KIEKOVER, SCHOLMA & SHUMAKER, PC**  
**Certified Public Accountants**  
**Zeeland, Michigan**

**Laketown Township, Michigan  
ANNUAL FINANCIAL REPORT  
Year Ended March 31, 2006**

**TABLE OF CONTENTS**

	Page
<b>Independent Auditor's Report.....</b>	<b>I</b>
<b>Management's Discussion and Analysis .....</b>	<b>II</b>
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Assets.....	1
Statement of Activities .....	2
Governmental Fund Financial Statements	
Balance Sheet .....	4
Statement of Revenue, Expenditures and Changes in Fund Balances.....	5
Reconciliation of the Statement of Revenue, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities .....	6
Proprietary Fund Financial Statements	
Statement of Net Assets.....	7
Statement of Revenue, Expenses and Changes in Net Assets .....	8
Statement of Cash Flows .....	9
Notes to Financial Statements .....	10
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund.....	22
<b>Other Supplemental Data</b>	
Combining Balance Sheet – Nonmajor Governmental Funds .....	24
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	25



**INDEPENDENT AUDITOR'S REPORT**

August 4, 2006

Township Board  
Laketown Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Laketown Township, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Laketown Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Laketown Township, Michigan, as of March 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laketown Township, Michigan's basic financial statements. The other supplemental data, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kiekover, Scholma & Shumaker, PC*

## Management's Discussion and Analysis

As management of Laketown Township, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006. We encourage readers to consider the information presented here in conjunction with the Township's financial statements that follow this section.

### Financial Highlights

- The assets of Laketown Township exceeded its liabilities at the close of the most recent fiscal year by \$4,544,941 (*net assets*). Of this amount, \$506,107 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$214,262. This is reflected in a net increase in capital assets, net of related debt of \$355,075, a decrease in restricted net assets of \$102,010, and a decrease in unrestricted net assets of \$38,803.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$587,232, a decrease of \$70,715 in comparison with the prior year. Approximately 85.5% of this total amount, \$502,070, is *available for spending* at the Township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$280,147 or 19.4% of total general fund expenditures and transfers out.
- The Township's total debt increased by \$504,243 (36.2%) during the current fiscal year. This is the result of the Township making its required scheduled debt service payments of \$195,757 while incurring new debt of \$700,000 (issuance of Series 2005 Capital Improvement Bonds relating to the Goshorn Sewer Construction project) during the year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected state shared revenues, franchise fees, and accrued interest payable).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the Township include operations of the Felt Mansion.

The government-wide financial statements can be found on pages 1-3 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains seven (7) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Graafschap Fire Station Debt Service Fund, and Goshorn Sewer Construction Fund, which are considered to be major funds. The Township has four (4) nonmajor funds. These include two special revenue funds and two debt service funds. Data from the other four governmental funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided herein to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4-6 of this report.

**Proprietary funds.** The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses an enterprise fund to account for operations of the Felt Mansion.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail and information, such as cash flows. The proprietary fund financial statements provide separate information for the Felt Mansion Fund, which is considered to be a major fund of the Township.

The basic proprietary fund financial statements can be found on pages 7-9 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Township reports no fiduciary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-21 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting the budgetary comparison for the Township's General Fund, found on pages 22-23 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. These combining statements can be found on pages 24-25 of this report.

### **Government-wide Financial Analysis**

**Net Assets** - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Laketown Township, assets exceeded liabilities by \$4,544,941 at the close of the most recent fiscal year.

By far the largest portion of the Township's net assets (73%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (16%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$506,107) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following table shows, in a condensed format, the net assets of Laketown Township as of March 31, 2006 and 2005.

**TABLE 1 - Laketown Township's Net Assets**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 1,381,939	\$ 1,517,470	\$ 3,076	\$ 12,782	\$ 1,385,015	\$ 1,530,252
Capital assets	4,495,106	3,670,785	672,731	664,841	5,167,837	4,335,626
Total assets	<u>5,877,045</u>	<u>5,188,255</u>	<u>675,807</u>	<u>677,623</u>	<u>6,552,852</u>	<u>5,865,878</u>
Long-term debt outstanding	1,871,264	1,394,128	-	-	1,871,264	1,394,128
Other liabilities	<u>136,343</u>	<u>139,598</u>	<u>304</u>	<u>1,473</u>	<u>136,647</u>	<u>141,071</u>
Total liabilities	<u>2,007,607</u>	<u>1,533,726</u>	<u>304</u>	<u>1,473</u>	<u>2,007,911</u>	<u>1,535,199</u>
Net assets:						
Invested in capital assets, net of related debt	2,623,842	2,276,657	672,731	664,841	3,296,573	2,941,498
Restricted	742,261	844,271	-	-	742,261	844,271
Unrestricted	<u>503,335</u>	<u>533,601</u>	<u>2,772</u>	<u>11,309</u>	<u>506,107</u>	<u>544,910</u>
Total net assets	<u>\$ 3,869,438</u>	<u>\$ 3,654,529</u>	<u>\$ 675,503</u>	<u>\$ 676,150</u>	<u>\$ 4,544,941</u>	<u>\$ 4,330,679</u>

**Change in Net Assets** – As shown in Table 2 (changes in net assets) the Township's total revenues were approximately \$1,577,240 for the current year, of which 46.9% was obtained from property taxes. Charges for services accounted for another 21.0% of the total, and State shared revenues 24.5%. The balance of the Township's revenues was primarily derived from operating grants and contributions, capital grants and contributions, interest earnings, and other sources. The total cost of all programs and services for the year ended March 31, 2006 was approximately \$1,363,000. Township expenses cover a wide range of services. For the current fiscal year, about 39.7% of the Township's expenses related to general government services, 35.3% related to public safety, 7.6% related to public works, 0.3% related to community and economic development, 4.5% related to recreation and culture, 6.7% was interest on long-term debt, and 5.9% related to Felt Mansion operations.

Net assets increased by \$214,909 for the Township's governmental activities. Net assets for business-type activities decreased by \$647 during the year.

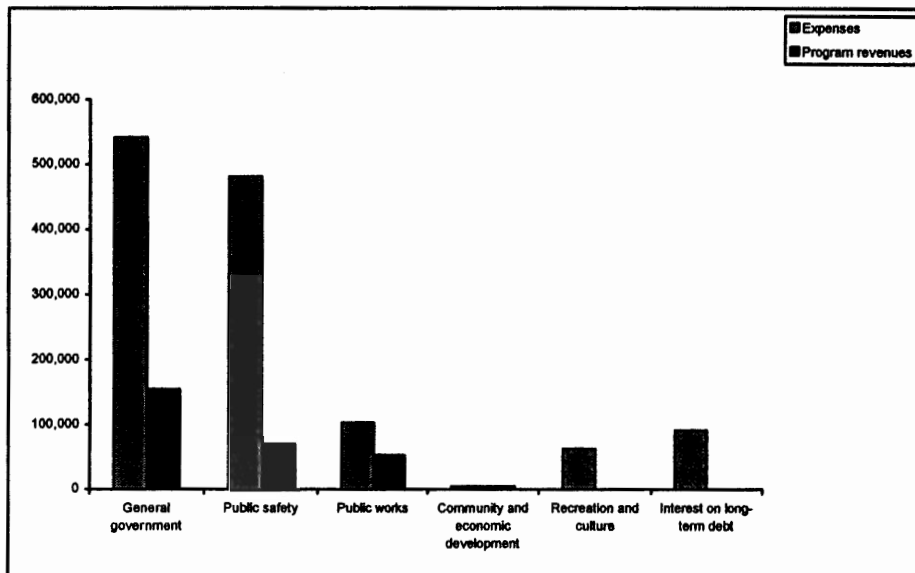


The following analysis highlights the changes in net assets for the years ended March 31, 2006 and 2005.

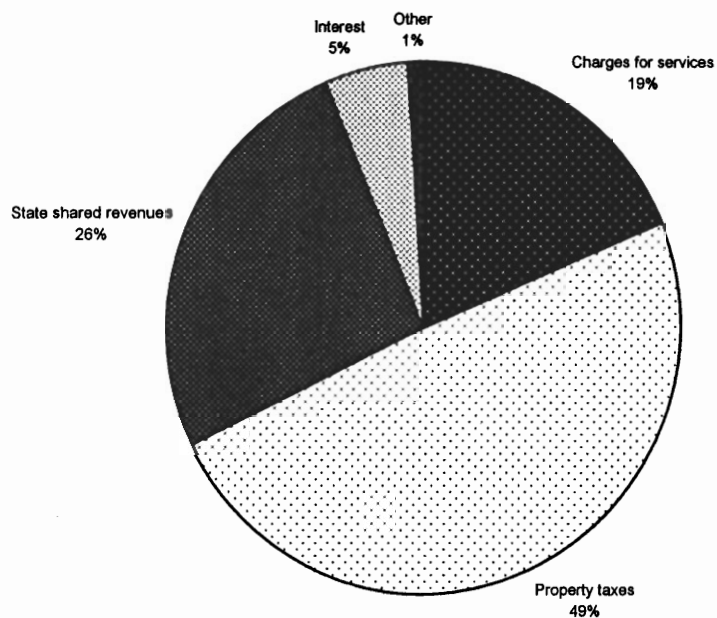
**TABLE 2 - Laketown Township's Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program revenues						
Charges for services	\$ 280,877	\$ 301,906	\$ 50,183	\$ 38,240	\$ 331,060	\$ 340,146
Operating grants and contributions	-	12,500	7,826	18,218	7,826	30,718
Capital grants and contributions	12,923	-	-	-	12,923	-
General revenues						
Property taxes	740,825	706,237	-	-	740,825	706,237
State shared revenues	386,145	386,324	-	-	386,145	386,324
Interest	80,415	31,469	467	-	80,882	31,469
Other	17,579	48,674	-	-	17,579	48,674
Total revenues	<u>1,518,764</u>	<u>1,487,110</u>	<u>58,476</u>	<u>56,458</u>	<u>1,577,240</u>	<u>1,543,568</u>
Program expenses						
General government	541,327	559,929	-	-	541,327	559,929
Public safety	480,991	493,961	-	-	480,991	493,961
Public works	103,036	76,927	-	-	103,036	76,927
Community and economic development	4,646	10,509	-	-	4,646	10,509
Recreation and culture	62,187	53,459	-	-	62,187	53,459
Interest on long-term debt	91,468	73,007	-	-	91,468	73,007
Felt Mansion	-	-	79,323	75,857	79,323	75,857
Total expenses	<u>1,283,655</u>	<u>1,267,792</u>	<u>79,323</u>	<u>75,857</u>	<u>1,362,978</u>	<u>1,343,649</u>
Change before transfers	235,109	219,318	(20,847)	(19,399)	214,262	199,919
Transfers in (out)	<u>(20,200)</u>	<u>-</u>	<u>20,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>\$ 214,909</u>	<u>\$ 219,318</u>	<u>\$ (647)</u>	<u>\$ (19,399)</u>	<u>\$ 214,262</u>	<u>\$ 199,919</u>

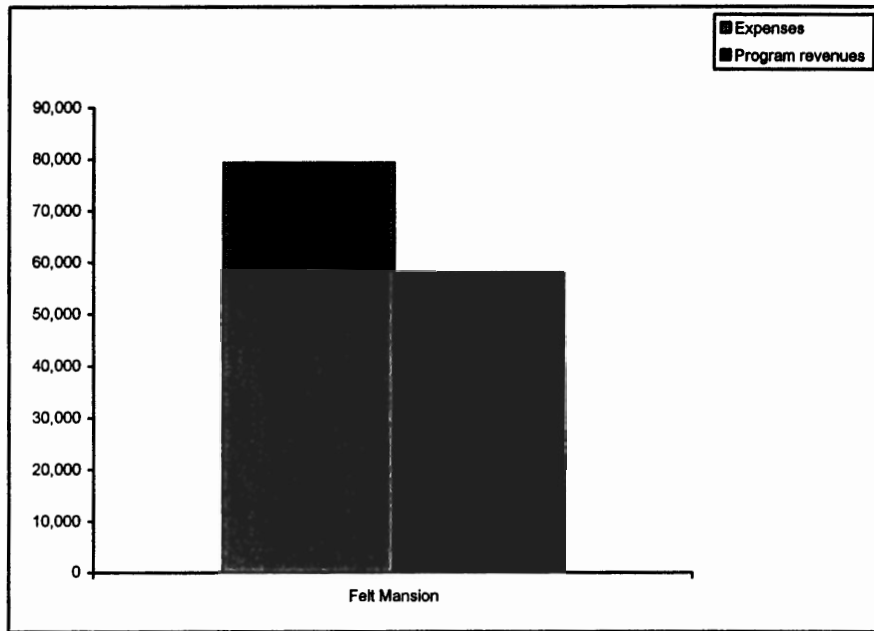
## Expenses and Program Revenues – Governmental Activities



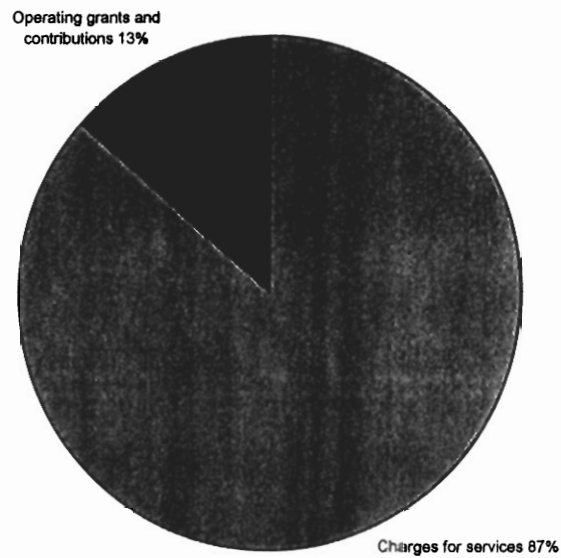
## Revenues by Source – Governmental Activities



## Expenses and Program Revenues-Business-type Activities



## Revenues by Source-- Business-type Activities



## **Financial Analysis of the Township's Funds**

**Governmental Funds** - Our analysis of the Township's major funds begins on page 4, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, grants, contributions or capital projects. The Township's major funds for fiscal year 2006 consist of the General Fund, Graafschap Fire Station Debt Service Fund, and the Goshorn Sewer Construction Fund.

The General Fund is the main operating fund of the Township. Total General Fund revenues and other financing sources for fiscal year 2006 decreased by \$18,653, or 1.3%, to \$1,419,992. Property tax revenues increased by \$35,902 or 4.5%. State shared revenues decreased by \$844 or 0.2%. All other General Fund revenue sources decreased by \$44,673.

General Fund expenditures and other financing uses decreased in fiscal 2006 by \$15,218, or 1.0%, to \$1,446,080. General government expenditures increased by \$29,565, primarily due to increased expenditures for building and grounds (office renovations). Public works expenditures decreased by \$29,775 primarily due to a decrease in expenditures for road improvements. Other notable changes from the prior year include an increase in recreation and culture expenditures of \$16,360 (all of which is for parks commission), and a decrease in debt service expenditures of \$35,360 due to a note payable being paid off in the prior year.

The March 31, 2006 fund balance of the general fund is \$320,066 of which \$39,919 (12.5%) is reserved for construction code activities, and \$280,147 (87.5%) is unreserved. This is a decrease of \$26,088 from the prior year. The \$280,147 unreserved fund balance is approximately 19.4% of fiscal 2006 expenditures and operating transfers to other funds which amounted to \$1,446,080.

The Graafschap Fire Station Debt Service Fund is used to account for repayments on a \$950,000 bond issue that was sold by Laketown Township Building Authority to finance the building of the Graafschap Fire Station. Total Graafschap Fire Station Debt Service Fund revenues, consisting mainly of payments from the Graafschap Fire Department, decreased by \$1,438, or 2.2%, to \$64,800. There was also \$16,884 of transfers in from the General Fund during the year compared to \$17,900 in the prior year. Graafschap Fire Station Debt Service Fund expenditures for the fiscal year were \$80,200 (all of which were for debt service), a decrease of \$2,100, or 2.6%, compared to the prior year. The March 31, 2006 fund balance of the Graafschap Fire Station Debt Service Fund is \$796, an increase of \$46 from the prior year.

**Goshorn Sewer Construction Fund** - This fund is used to account for the purchase and/or construction of the township's share of an extension of a sanitary sewer, as well as a buy-in of a wastewater treatment plant and two pump stations to serve the township (referred to as the Goshorn Sewer Construction project). This project was financed with \$700,000 of Capital Improvement Bonds, Series 2005, sold on April 19, 2005. Goshorn Sewer Construction Fund revenues consisted of \$629 in interest earnings, compared to \$0 in the prior year. Total expenditures of the fund were \$718,172 (consisting of \$689,189 in sewer construction costs and \$28,983 in bond issuance costs), compared to \$39,290 in the prior year. This significant increase results from the majority of the Goshorn Sewer project being constructed during the current fiscal year. Other financing sources of the fund totaled \$787,800, consisting of \$700,000 of proceeds from issuance of capital improvement bonds, and transfers in from other funds of \$87,800. Transfers in from other funds in the prior year totaled \$40,000.

**Proprietary Funds** – Laketown Township’s proprietary fund provides the same type of information found in the government-wide financial statements (business-type activities) but in more detail. The Township’s proprietary fund is the Felt Mansion Fund.

Operating revenues for the Felt Mansion Fund increased in fiscal year 2006 by \$11,943, from \$38,240 to \$50,183, primarily due increased revenues from events at the Mansion. Non-operating revenues decreased in fiscal year 2006 by \$10,125, from \$18,218 to \$8,293, primarily due to a decrease in contributions. Operating expenses increased in fiscal year 2006 by \$3,466, from \$75,857 to \$79,323.

Total net assets of the Felt Mansion fund at March 31, 2006 were \$675,503, a decrease of \$647 from the prior year. Unrestricted net assets of the Felt Mansion Fund were \$2,772 at March 31, 2006, a decrease of \$8,537 from the prior year.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township Board amended the budget to take into account events during the year. Township operational departments generally stayed within budgeted amounts, resulting in total expenditures \$6,844 below the final budget. The General Fund’s fund balance decreased by \$26,088 compared to a budgeted increase of \$8,411.

### **Capital Assets and Debt Administration**

**Capital assets.** The Township’s investment in capital assets for its governmental and business-type activities as of March 31, 2006, amounted to \$5,167,837 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, systems, machinery and equipment, park facilities, roads and sidewalks, and certain flowage rights (drains). The total change in the Township’s investment in capital assets for the current fiscal year was an increase of \$824,321 (22.5%) for governmental activities and an increase of \$7,890 (1.2%) for business-type activities.

Major capital asset events during the current fiscal year included the following:

- \$688,254 expended for construction of sewer systems
- \$161,510 expended for road paving
- \$43,809 expended for township hall renovations

Additional information on the Township’s capital assets can be found in note 3C on pages 17-18 of this report.

#### **Laketown Township’s Capital Assets (net of depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 2,727,077	\$ 2,727,077	\$ 469,423	\$ 469,423	\$ 3,196,500	\$ 3,196,500
Construction in progress	727,544	39,290	-	-	727,544	39,290
Buildings and improvements	424,686	395,854	195,686	195,418	620,372	591,272
Land improvements	225,858	257,361	7,622	-	233,480	257,361
Machinery, equipment, vehicles	30,276	48,957	-	-	30,276	48,957
Infrastructure	359,665	202,246	-	-	359,665	202,246
<b>Total</b>	<b>\$ 4,495,106</b>	<b>\$ 3,670,785</b>	<b>\$ 672,731</b>	<b>\$ 664,841</b>	<b>\$ 5,167,837</b>	<b>\$ 4,335,626</b>

**Long-term debt.** At the end of the current fiscal year, the Township had total installment debt outstanding of \$1,898,371.

**Laketown Township's Outstanding Debt**  
General Obligation and Revenue Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Graafschap Fire Station bonds	\$ 740,000	\$ 780,000	\$ -	\$ -	\$ 740,000	\$ 780,000
Goshorn Sewer Construction bonds	700,000	-	-	-	700,000	-
Notes and land contracts payable	285,508	383,643	-	-	285,508	383,643
County Drain Assessments	172,863	230,485	-	-	172,863	230,485
<b>Total</b>	<b>\$ 1,898,371</b>	<b>\$ 1,394,128</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,898,371</b>	<b>\$ 1,394,128</b>

The Township's total debt increased by \$504,243 (36.2%) during the current fiscal year. This is the result of the Township making its required scheduled debt service payments of \$195,757 while incurring new debt of \$700,000 (issuance of Series 2005 Capital Improvement Bonds relating to the Goshorn Sewer Construction project) during the year.

Additional information on the Township's long-term debt can be found in Note 3E on pages 19-20 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The Township's budget for fiscal year ended March 31, 2007 calls for a slight decrease in the overall property tax rate from 2.5592 to 2.5317 mills (due to Headlee rollback). This can be accomplished because of tax base growth.

The Township continues to be challenged by a reduction in State Shared Revenues. An increasing tax base has allowed the Township to avoid the need to raise tax rates.

**Requests for Information**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions regarding this report or need additional information, we welcome you to contact the Township Manager's office.

# **Basic Financial Statements**

**Laketown Township, Michigan**  
**STATEMENT OF NET ASSETS**  
**March 31, 2006**

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 551,433	\$ 3,076	\$ 554,509
Receivables:			
Taxes	21,290	-	21,290
Accounts	8,100	-	8,100
Graafschap Fire Department	584,210		
Special assessments	72,889	-	72,889
Due from other governments	144,017	-	144,017
Capital assets	<u>4,495,106</u>	<u>672,731</u>	<u>5,167,837</u>
 Total Assets	 <u>5,877,045</u>	 <u>675,807</u>	 <u>5,968,642</u>
 <b>LIABILITIES</b>			
Accounts payable	28,810	-	28,810
Accrued payroll	20,379	304	20,683
Due to other governments	16,171	-	16,171
Deferred revenue	35,790	-	35,790
Accrued interest payable	35,193	-	35,193
Noncurrent liabilities:			
Due within one year	220,757	-	220,757
Due in more than one year	1,677,614	-	1,677,614
Deferred issuance costs	<u>(27,107)</u>	<u>-</u>	<u>(27,107)</u>
 Total Liabilities	 <u>2,007,607</u>	 <u>304</u>	 <u>2,007,911</u>
 <b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,623,842	672,731	3,296,573
Restricted for:			
Water and sewer	14,320	-	14,320
Debt service	688,022	-	688,022
Construction code activities	39,919	-	39,919
Unrestricted	<u>503,335</u>	<u>2,772</u>	<u>506,107</u>
 Total Net assets	 <u>\$ 3,869,438</u>	 <u>\$ 675,503</u>	 <u>\$ 4,544,941</u>



Laketown Township, Michigan  
STATEMENT OF ACTIVITIES  
Year Ended March 31, 2006

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 541,327	\$ 154,627	\$ -	\$ -
Public safety	480,991	69,251	-	-
Public works	103,036	52,649	-	12,923
Community and economic development	4,646	4,350	-	-
Recreation and culture	62,187	-	-	-
Interest on long-term debt	91,468	-	-	-
Total Governmental Activities	1,283,655	280,877	-	12,923
Business-type activities:				
Felt Mansion	79,323	50,183	7,826	-
Total Primary Government	\$ 1,362,978	\$ 331,060	\$ 7,826	\$ 12,923

General revenues:

Property taxes  
State shared revenues  
Interest  
Other  
Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

**Net (Expense) Revenue  
and Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (386,700)	\$ -	\$ (386,700)
(411,740)	-	(411,740)
(37,464)	-	(37,464)
(296)	-	(296)
(62,187)	-	(62,187)
<u>(91,468)</u>	<u>-</u>	<u>(91,468)</u>
(989,855)	-	(989,855)
<u>-</u>	<u>(21,314)</u>	<u>(21,314)</u>
<u>(989,855)</u>	<u>(21,314)</u>	<u>(1,011,169)</u>
740,825	-	740,825
386,145	-	386,145
80,415	467	80,882
17,579	-	17,579
<u>(20,200)</u>	<u>20,200</u>	<u>-</u>
<u>1,204,764</u>	<u>20,667</u>	<u>1,225,431</u>
214,909	(647)	214,262
<u>3,654,529</u>	<u>676,150</u>	<u>4,330,679</u>
<u>\$ 3,869,438</u>	<u>\$ 675,503</u>	<u>\$ 4,544,941</u>

See notes to financial statements

**Laketown Township, Michigan**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**March 31, 2006**

	General Fund	Graafschap Fire Station Debt Service	Goshorn Sewer Construction	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 223,723	\$ 796	\$ 31,489	\$ 295,425	\$ 551,433
Receivables:					
Taxes	21,290	-	-	-	21,290
Graafschap Fire Department	-	584,210	-	-	584,210
Special assessments	-	-	-	72,889	72,889
Due from other governments	114,137	-	-	1,522	115,659
<b>Total Assets</b>	<b>\$ 359,150</b>	<b>\$ 585,006</b>	<b>\$ 31,489</b>	<b>\$ 369,836</b>	<b>\$ 1,345,481</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 2,534	\$ -	\$ 10,374	\$ 15,902	\$ 28,810
Accrued payroll	20,379	-	-	-	20,379
Due to other governments	16,171	-	-	-	16,171
Deferred revenue	-	584,210	-	108,679	692,889
<b>Total Liabilities</b>	<b>39,084</b>	<b>584,210</b>	<b>10,374</b>	<b>124,581</b>	<b>758,249</b>
<b>FUND BALANCES</b>					
Reserved:					
Debt service	-	-	-	45,243	45,243
Construction code activities	39,919	-	-	-	39,919
Unreserved-reported in:					
General Fund	280,147	-	-	-	280,147
Special Revenue Funds	-	-	-	198,126	198,126
Debt Service Funds	-	796	-	1,886	2,682
Capital Projects Funds	-	-	21,115	-	21,115
<b>Total Fund Balances</b>	<b>320,066</b>	<b>796</b>	<b>21,115</b>	<b>245,255</b>	<b>587,232</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 359,150</b>	<b>\$ 585,006</b>	<b>\$ 31,489</b>	<b>\$ 369,836</b>	

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

General capital assets	3,407,896
Infrastructure assets	1,087,210

State shared revenues (sales taxes) collected and held by the State at year end are not considered available to pay for current year expenditures and are therefore not reported in the funds	28,358
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Cable franchise fees receivable are not considered available to pay for current year expenditures and are therefore not reported in the funds	8,100
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Special assessments receivable are expected to be collected over several years and are not available to pay for current year expenditures and are therefore deferred in the funds	657,099
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Interest accrued on bonds and notes payable is not reported in the funds	(35,193)
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Long term liabilities are not due and payable in the current period and are therefore not reported in the funds	(1,898,371)
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Unamortized deferred bond issuance costs are not reported in the funds	27,107
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<b>Net Assets of Governmental Activities</b>	<b>\$ 3,869,438</b>
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See Notes to Financial Statements

**Laketown Township, Michigan**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended March 31, 2006**

	General Fund	Graafschap Fire Station Debt	Goshorn Sewer Construction	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 825,861	\$ -	\$ -	\$ -	\$ 825,861
Licenses and permits	73,602	-	-	-	73,602
State shared revenues	387,834	-	-	-	387,834
Charges for services	67,051	-	-	52,649	119,700
Fines and forfeitures	2,439	-	-	-	2,439
Interest and rent	22,961	31,783	629	25,042	80,415
Other	17,579	31,579	-	45,423	94,581
<b>Total Revenues</b>	<b>1,397,327</b>	<b>63,362</b>	<b>629</b>	<b>123,114</b>	<b>1,584,432</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	529,783	-	-	-	529,783
Public safety	458,185	-	-	-	458,185
Public works	281,250	-	689,189	44,943	1,015,382
Community and economic development	4,646	-	-	-	4,646
Recreation and culture	47,215	-	-	-	47,215
Insurance, bonds, and fringes	42,687	-	-	-	42,687
<b>Debt service:</b>					
Principal	35,714	40,000	-	49,421	125,135
Interest	9,516	40,200	-	33,215	82,931
Bond issuance costs	-	-	28,983	-	28,983
<b>Total Expenditures</b>	<b>1,408,996</b>	<b>80,200</b>	<b>718,172</b>	<b>127,579</b>	<b>2,334,947</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(11,669)</b>	<b>(16,838)</b>	<b>(717,543)</b>	<b>(4,465)</b>	<b>(750,515)</b>
<b>Other Financing Sources (Uses):</b>					
Bonds issued	-	-	700,000	-	700,000
Transfers in	22,665	16,884	87,800	49,852	177,201
Transfers out	(37,084)	-	(49,852)	(110,465)	(197,401)
<b>Total Other Financing Sources (Uses)</b>	<b>(14,419)</b>	<b>16,884</b>	<b>737,948</b>	<b>(60,613)</b>	<b>679,800</b>
<b>Net Change in Fund Balances</b>	<b>(26,088)</b>	<b>46</b>	<b>20,405</b>	<b>(65,078)</b>	<b>(70,715)</b>
<b>Fund Balances - April 1</b>	<b>346,154</b>	<b>750</b>	<b>710</b>	<b>310,333</b>	<b>657,947</b>
<b>Fund Balances - March 31</b>	<b>\$ 320,066</b>	<b>\$ 796</b>	<b>\$ 21,115</b>	<b>\$ 245,255</b>	<b>\$ 587,232</b>

**Laketown Township, Michigan**  
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**Year Ended March 31, 2006**

Net change in fund balances-Total Governmental Funds \$ (70,715)

Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Current year capital outlays capitalized - general capital assets	48,524
Current year capital outlays capitalized - infrastructure capital assets	865,666
Current year depreciation expense on capitalized assets	(89,869)

Timing of revenue recognition differs in the statement of activities versus the funds financial statements for certain revenues that do not provide current financial resources

State shared revenues	(1,689)
Cable franchise fees	100

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not recorded in the funds until collected or collectible within 60 days of year end (64,079)

Repayments of bond and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets 195,757

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets (671,017)

Governmental funds report the effect of debt issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (1,876)

In the statement of activities, interest is accrued on outstanding bonds and notes payable, whereas in governmental funds, an interest expenditure is reported when due 4,107

Change in net assets of governmental activities \$ 214,909

Laketown Township, Michigan  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
March 31, 2006

	<u>Enterprise Fund</u> <u>Felt</u> <u>Mansion</u>
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$       3,076
Noncurrent Assets:	
Capital assets	<u>672,731</u>
Total Assets	<u>675,807</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accrued payroll	<u>304</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	672,731
Unrestricted	<u>2,772</u>
Total Net Assets	<u>\$       675,503</u>

Laketown Township, Michigan  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended March 31, 2006

	<u>Enterprise Fund</u> Felt Mansion
Operating Revenues:	
Charges for Services:	
Felt Mansion rentals and tours	\$ 50,183
Operating Expenses:	
Operation and maintenance	58,043
General and administrative	15,810
Depreciation	5,470
Total Operating Expenses	<u>79,323</u>
Operating Income (Loss)	<u>(29,140)</u>
Nonoperating Revenues (Expenses)	
Contributions	7,826
Interest income	467
Total Nonoperating Revenues (Expenses)	<u>8,293</u>
Income (Loss) Before Contributions and Transfers	(20,847)
Transfers in	<u>20,200</u>
Change in Net Assets	(647)
Net Assets - April 1	<u>676,150</u>
Net Assets - March 31	<u>\$ 675,503</u>

Laketown Township, Michigan  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended March 31, 2006

	<u>Enterprise Fund</u> <u>Felt</u> <u>Mansion</u>
Cash Flows From (For) Operating Activities:	
Receipts from customers	\$ 50,183
Payments to suppliers	(59,250)
Payments to employees	<u>(15,772)</u>
Net Cash Provided (Used) By Operating Activities	(24,839)
Cash Flows From Noncapital Financing Activities:	
Contributions	7,826
Transfers from/to other funds	<u>20,200</u>
Net Cash Provided By Noncapital Financing Activities	<u>28,026</u>
Cash Flows From (For) Capital and Related Financing Activities:	
Acquisition and construction of capital assets	<u>(13,360)</u>
Cash Flows From Investing Activities:	
Interest received on investments	<u>467</u>
Net Increase (Decrease) in Cash and Investments	(9,706)
Cash and Investments - April 1	<u>12,782</u>
Cash and Investments - March 31	<u>\$ 3,076</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:	
Operating income (loss)	\$ (29,140)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	5,470
Change in assets and liabilities:	
Accounts payable	(1,206)
Accrued and other liabilities	<u>37</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (24,839)</u>



Laketown Township, Michigan  
NOTES TO FINANCIAL STATEMENTS  
Year Ended March 31, 2006

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Laketown Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Laketown Township:

**A. Reporting Entity**

Laketown Township is governed by an elected five-member board of trustees. The accompanying financial statements present the township and its component units, entities for which the township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

**Blended Component Unit.** The Laketown Township Building Authority has a five-member board appointed by the Township Board. The Building Authority issued limited tax general obligation bonds to finance the demolition of the former Michigan Dunes Correction Facility and site improvements to the remaining buildings and grounds. These bonds have been fully retired. The Township has entered into a long-term lease with the authority for use of the facilities.

The Building Authority has also issued bonds to finance the construction of a new fire station for Graafschap Fire Department. The Township is obligated to repay these bonds, with approximately 79% of the debt service requirements being reimbursed to the Township from Graafschap Fire Department.

**Discretely Presented Component Unit.** The Township has no discretely presented component units.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable (Laketown Township has no such component units).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Other revenue is recorded when received.

The township reports the following major governmental funds:

*General Fund* - The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Graafschap Fire Station Debt Service Fund* - This fund was established to account for repayments on a \$950,000 bond issue that was sold by Laketown Township Building Authority to finance the building of the Graafschap Fire Station.

*Goshorn Sewer Construction Fund* - This fund is used to account for the purchase and/or construction of the township's share of an extension of a sanitary sewer, as well as a buy-in of a wastewater treatment plant and two pump stations to serve the township (referred to as the Goshorn Sewer Construction project). This project was financed with \$700,000 of Capital Improvement Bonds, Series 2005, sold on April 19, 2005.

The township reports the following major proprietary fund:

*Felt Mansion Fund* - This fund is used to account for operations and renovations of the Felt Mansion.

Additionally, the township reports the following fund types:

#### **Governmental Funds**

*Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

*Debt Service Funds* - Debt Service Funds account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

## **Proprietary Funds**

*Enterprise Funds* - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The township has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of the inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for rents and tours. Operating expenses for the proprietary fund include costs of operations, maintenance, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, Liabilities, and Net Assets or Equity**

#### **1. *Bank Deposits and Investments.***

The township pools cash resources of its various funds to facilitate the management of cash. The balances in the pooled cash accounts are available to meet current operating requirements.

The township's investment policies are governed by state statutes, formal board policy, and administrative procedures. Permissible investments include obligations of the U.S. Treasury and its agencies, Michigan financial institution certificates of deposits and accounts, commercial paper with prescribed ratings, U.S. government repurchase agreements, and mutual funds and investment pools consisting of any of the above. Attorney General's Opinion No. 6168 states that public funds may not be deposited in institutions located in states other than Michigan. The township's deposits are in accordance with statutory authority.

Investments are recorded at fair value. Earnings in the pooled cash accounts are allocated to each fund based upon respective balances of cash and investments.

## 2. *Receivables and Payables.*

In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

## 3. *Inventories and Prepaid Items.*

Inventories do not consist of material amounts. Inventories of governmental funds are recorded as expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

## 4. *Capital Assets.*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. General infrastructure assets acquired prior to April 1, 2004, are not reported in the basic financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$0 of interest expense was capitalized as part of the cost of assets under construction.

Included in capital assets are the township’s investment in roads and drains within the township that are recorded as intangible assets (shared road improvements and flowage rights). Although paid for by the township, Michigan law makes these assets property of the County (along with the responsibility to maintain them).

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	15
Machinery and equipment	5-15
Office furniture and equipment	5-20
Vehicles	3-25
Roads and sidewalks	15-25
Water and sewer systems	10-50

## 5. *Compensated Absences.*

It is the township’s policy to permit certain employees to accumulate earned but unused vacation pay benefits. If material, vacation pay is accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations at year end.

## **6. Long-Term Obligations.**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

## **7. Fund Equity.**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **E. Property Taxes**

Property taxes are levied on each December 1 (lien date and due date) on the taxable valuation of property as of the preceding December 31. Real and personal property taxes are collected without additional charge through February 14. The township continues to collect taxes until March 1, at which time the delinquent real property taxes are returned to the county for collection. Taxes returned to the county treasurer are subject to penalty and interest. The county's policy has been to pay the township for all delinquent real property taxes returned. The township continues to collect delinquent personal property taxes.

The township's 2005 ad valorem tax was levied and collectible on December 1, 2005, and recognized as revenue during the year ended March 31, 2006, when proceeds of this levy were budgeted and made available for the financing of operations.

The 2005 taxable equivalency valuation of the township totaled \$289,499,506, on which ad valorem taxes levied consisted of .5824 mills for township operating purposes and 1.9768 mills for fire protection, roads, and drains. This resulted in \$168,530 for operating purposes and \$572,066 for fire protection, roads, and drains.

The above amounts are recognized in the General Fund as tax revenue.

## **F. Use of Estimates**

The preparation of financial statements in conformity with accounting principle generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

## NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

Before March 31, the proposed budget is presented to the Township Board for review. The Board holds public hearings and a final budget must be prepared and adopted no later than March 31. Appropriated budgets are amended from time to time throughout the course of the year by supplementary resolutions approved by the Board of Trustees. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered spent once the goods are delivered or the services rendered.

The appropriated budget is prepared by fund, function, and activity. The legal level of budgetary control adopted by the governing body is the activity level. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations as compared to budget for the General Fund is included in the required supplemental information.

## NOTE 3. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

*Michigan Compiled Laws, Section 129.91*, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The governing body has designated several banks for the deposit of township funds. The investment policy adopted by the township in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

The township's deposits and investment policy are in accordance with statutory authority.

At year-end, the township's deposits and investments were reported in the basic financial statements in the following categories.

The breakdown between deposits and investments is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and investments	<u>\$ 551,433</u>	<u>\$ 3,076</u>	<u>\$ 554,509</u>

At year-end, all of the township's deposits and investments consisted of bank deposits (checking and savings accounts, certificates of deposit).

## Deposits

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the township's deposits may not be returned. The township does not have a deposit policy for custodial credit risk. At year end the bank balance of the township's deposits was \$587,173 of which \$300,000 was covered by federal depository insurance and \$287,173 was exposed to custodial credit risk because it was uninsured and uncollateralized. The township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the township evaluates each financial institution with which it deposits township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

## Investments

**Interest rate risk.** Except as limited by state law as listed in the above list of authorized investments, the township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** The township has no investment policy that limits its investment choices beyond those required by state law. At year-end, the township had no investments.

## B. Receivables

Receivables as of year-end for the township's individual major funds, and non-major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Graafschap Fire Station Debt	Nonmajor Funds	Total
Receivables:				
Taxes	\$ 21,290	\$ -	\$ -	\$ 21,290
Graafschap Fire Department	-	584,210	-	584,210
Special assessments	-	-	72,889	72,889
Intergovernmental	114,137	-	1,522	115,659
Gross receivables	135,427	584,210	74,411	794,048
Allowance for uncollectibles	-	-	-	-
Net Total Receivables	<u>\$ 135,427</u>	<u>\$ 584,210</u>	<u>\$ 74,411</u>	<u>\$ 794,048</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Graafschap Fire Department	\$ 584,210	\$ 35,790
Special assessments	72,889	-
	<u>\$ 657,099</u>	<u>\$ 35,790</u>

### C. Capital Assets

Capital asset activity of the township for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 2,727,077	\$ -	\$ -	\$ -	\$ 2,727,077
Construction in progress	39,290	688,254	-	-	727,544
Subtotal	2,766,367	688,254	-	-	3,454,621
Capital Assets Being Depreciated					
Building and improvements	554,003	43,809	-	-	597,812
Land improvements	472,548	-	-	-	472,548
Machinery and equipment	14,517	-	-	-	14,517
Office furniture and equipment	102,803	4,715	-	-	107,518
Vehicles	131,621	-	-	-	131,621
Infrastructure	205,674	177,412	-	-	383,086
Subtotal	1,481,166	225,936	-	-	1,707,102
Less Accumulated Depreciation for					
Buildings and improvements	(158,149)	(14,977)	-	-	(173,126)
Land improvements	(215,187)	(31,503)	-	-	(246,690)
Machinery and equipment	(14,281)	(118)	-	-	(14,399)
Office furniture and equipment	(88,017)	(6,310)	-	-	(94,327)
Vehicles	(97,686)	(16,968)	-	-	(114,654)
Infrastructure	(3,428)	(19,993)	-	-	(23,421)
Subtotal	(576,748)	(89,869)	-	-	(666,617)
Net Capital Assets Being Depreciated	904,418	136,067	-	-	1,040,485
Governmental Activities Total					
Capital Assets - Net of Depreciation	\$ 3,670,785	\$ 824,321	\$ -	\$ -	\$ 4,495,106

Depreciation expense was charged to programs of the township as follows:

Governmental Activities	
General government	\$ 17,381
Public safety	22,806
Public works	20,150
Recreation and culture	29,532
Total Governmental Activities	\$ 89,869



<b>Business-Type Activities</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 469,423	\$ -	\$ -	\$ -	\$ 469,423
<b>Capital Assets Being Depreciated</b>					
Buildings and improvements	200,429	5,430	-	-	205,859
Land improvements	-	7,930	-	-	7,930
Subtotal	200,429	13,360	-	-	213,789
<b>Less Accumulated Depreciation for</b>					
Buildings and improvements	(5,011)	(5,161)	-	-	(10,172)
Land improvements	-	(309)	-	-	(309)
Subtotal	(5,011)	(5,470)	-	-	(10,481)
<b>Net Capital Assets Being Depreciated</b>	195,418	7,890	-	-	203,308
<b>Business Type Activities Total</b>					
Capital Assets - Net of Depreciation	\$ 664,841	\$ 7,890	\$ -	\$ -	\$ 672,731

Depreciation expense was charged to programs of the business-type activities as follows:

**Business-Type Activities**

Felt Mansion \$ 5,470

*Construction Commitments*-The township had no significant construction projects or commitments as of March 31, 2006.

#### D. Interfund Receivables, Payables and Transfers

At March 31, 2006, there were no interfund balances. Interfund transfers reported in the funds statements were as follows:

	Transfers Out				Totals
	General Fund	Goshorn Sewer Construction	Sewer Connection	Water Connection	
Transfers In:					
General Fund	\$ -	\$ -	\$ 13,599 (1)	\$ 9,066 (1)	\$ 22,665
Graafschap Fire Station Debt	16,884 (2)	-	-	-	16,884
Goshorn Sewer Construction	-	-	87,800 (3)	-	87,800
Sewer Connection	-	26,500 (4)	-	-	26,500
Goshorn Sewer Debt Service	-	23,352 (5)	-	-	23,352
Felt Mansion	20,200 (6)	-	-	-	20,200
	<u>\$ 37,084</u>	<u>\$ 49,852</u>	<u>\$ 101,399</u>	<u>\$ 9,066</u>	<u>\$ 197,401</u>

The following describes the nature of significant transfers:

- (1) Transfers to General Fund for annual administrative charges
- (2) Transfer from General Fund for debt service
- (3) Transfer from Sewer Connection Fund for capital project purposes
- (4) Transfer from Goshorn Sewer Construction Fund to return unneeded amount originally transferred in from the Sewer Connection Fund
- (5) Transfer from Goshorn Sewer Construction Fund for debt service
- (6) Transfer from General Fund for annual operating purposes

#### E. Long-Term Debt

The township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity for the township can be summarized as follows:

	<u>Original Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>						
General obligation bonds						
1999 Building Authority, interest rate of 5.25 %, maturing 2019	\$ 950,000	\$ 780,000	\$ -	\$ (40,000)	\$ 740,000	\$ 40,000
2005 Capital Improvement, interest rates from 3.45 % to 4.6 %, maturing 2025	700,000	-	700,000	-	700,000	25,000
Land contract payable						
2002 Jansen Land, interest rate of 6 %, maturing 2006	65,000	26,000	-	(13,000)	13,000	13,000
Notes payable						
Monroe Bank and Trust (Goshorn Water), interest rate of 4.75 %, maturing 2008	494,211	179,071	-	(49,421)	129,650	49,421
Monroe Bank and Trust (Bike Path), interest rate of 5.25 %, maturing 2009	250,000	178,572	-	(35,714)	142,858	35,714
County Drain Assessments						
Virginia Park Intercounty Drainage District, interest rate of 4.23 %, maturing 2007	103,387	59,078	-	(14,770)	44,308	14,770
Kelly Lake Intercounty Drainage District, interest rate of 4.27 %, maturing 2008	163,301	93,315	-	(23,329)	69,986	23,329
Kuipers Drain Drainage District, interest rate of 3.49 %, maturing 2007	97,615	78,092	-	(19,523)	58,569	19,523
<b>Total Governmental Activities</b>		<u>\$ 1,394,128</u>	<u>\$ 700,000</u>	<u>\$ (195,757)</u>	<u>\$ 1,898,371</u>	<u>\$ 220,757</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ended March 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 220,757	\$ 87,815
2008	207,756	77,537
2009	189,143	71,408
2010	105,715	59,259
2011	70,000	54,122
2012-2016	415,000	215,554
2017-2021	445,000	104,342
2022-2026	245,000	29,162
<b>Total</b>	<u>\$ 1,898,371</u>	<u>\$ 699,199</u>

#### F. Restricted Assets

The township had no restricted assets at March 31, 2006.

#### NOTE 4. JOINT VENTURE

Certain entities which are not part of a township's reporting entity but were, in part, created by the township for special purposes, are accounted for as joint ventures. The following is a joint venture in which the township participates:

The township is a member of the Graafschap Fire Department (the Department), a joint venture of the township and Fillmore Township, to provide fire protection within the participating townships. The township does not have an explicit, measurable equity interest in the Department. Costs of operations and capital expenditures are supported by contributions from the participating townships. Contributions from the participating townships are based on the prior year's fire protection runs and tax base in each township. The Department is managed by a board that consists of two members from each of the participating townships. For the year ended March 31, 2006, costs were allocated 77.81% to Laketown Township and 22.19% to Fillmore Township. During the year ended March 31, 2006, the township contributed \$257,410 to the Department. As of March 31, 2006, the department has net assets of \$645,231 and long-term debt of \$604,920. The Department did not experience a deficit. Separate financial statements of the joint venture may be obtained from either of the participating townships.

#### NOTE 5. OTHER INFORMATION

##### A. Risk Management

The township is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions and natural disasters for which the township carries full multi-peril insurance coverage underwritten by the Michigan Municipal League. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

##### B. Pension Plan

The township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all township employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Trusts have been created for the plan assets, thereby insulating the assets from the unit of government's general creditors. The township has no fiduciary or administrative responsibility for the plan, therefore the plan assets are not reflected as an agency fund in the accompanying financial statements. The township also contributes a percentage of each employee's salary to the plan. For the year ended March 31, 2006, the township's contribution amounted to \$21,417.

##### C. Related Party Transactions

During the year ended March 31, 2000, Laketown Township built a fire station to be used by Graafschap Fire Department (a related party). To finance part of the construction, Laketown Township sold bonds with a face value of \$950,000 (Note 3E). An agreement between Fillmore Township and Laketown Township was made, that Graafschap Fire Department will pay \$750,000 of the \$950,000, plus interest, over the next twenty years to purchase the building from Laketown Township. The remaining amount to retire the bonds will come from general operations of Laketown Township. As of March 31, 2006, special assessments receivable from Graafschap Fire Department for the retirement of principal and interest on the bonds totaled \$584,210.

##### D. Inspections

The township accounts for the activity of its inspection department within its general fund. Following is a summary of building inspection activity for the year ended March 31, 2006:

Fund balance April 1, 2005	\$ 54,034
Charges for services	58,477
Building inspection expenditures	<u>(72,592)</u>
Fund balance March 31, 2006	<u>\$ 39,919</u>

# **Required Supplementary Information**

**Laketown Township, Michigan**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended March 31, 2006**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
<b>Revenues:</b>				
Taxes	\$ 835,000	\$ 829,880	\$ 825,861	\$ (4,019)
Licenses and permits	92,800	75,560	73,602	(1,958)
State shared revenues	392,400	392,400	387,834	(4,566)
Charges for services	65,650	68,730	67,051	(1,679)
Fines and forfeitures	4,000	2,600	2,439	(161)
Interest	15,000	25,000	22,961	(2,039)
Other	23,000	21,500	17,579	(3,921)
Total Revenues	<u>1,427,850</u>	<u>1,415,670</u>	<u>1,397,327</u>	<u>(18,343)</u>
<b>Expenditures:</b>				
Current:				
General Government:				
Township board	62,000	60,000	54,963	5,037
Supervisor	18,855	17,605	14,776	2,829
Township manager	90,660	90,660	93,946	(3,286)
Audit	12,000	18,000	18,850	(850)
Clerk	30,415	27,115	29,155	(2,040)
Board of review	650	750	90	660
General office	130,900	137,150	140,599	(3,449)
Treasurer	28,790	25,370	27,987	(2,617)
Assessor	67,110	67,110	69,039	(1,929)
Elections	11,100	18,600	17,798	802
Building and grounds	49,800	59,000	61,211	(2,211)
Cemetery	1,500	1,500	1,369	131
Total General Government	<u>503,780</u>	<u>522,860</u>	<u>529,783</u>	<u>(6,923)</u>
Public Safety:				
Police services	151,050	162,650	172,274	(9,624)
Fire protection	257,410	257,410	257,410	-
Inspections	43,600	27,500	28,501	(1,001)
Total Public Safety	<u>452,060</u>	<u>447,560</u>	<u>458,185</u>	<u>(10,625)</u>
Public Works:				
Drains	84,500	77,030	78,025	(995)
Highways, streets, and bridges	165,000	165,800	165,710	90
Sidewalks	-	2,000	993	1,007
Street lights	10,500	11,500	12,462	(962)
Solid waste/recycling	25,000	25,400	24,060	1,340
Total Public Works	<u>285,000</u>	<u>281,730</u>	<u>281,250</u>	<u>480</u>

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Community and Economic Development				
Planning commission	3,500	4,800	4,245	555
Zoning board of appeals	<u>2,000</u>	<u>650</u>	<u>401</u>	<u>249</u>
Total Community and Economic Development	<u>5,500</u>	<u>5,450</u>	<u>4,646</u>	<u>804</u>
Recreation and Culture:				
Parks commission	<u>48,160</u>	<u>48,160</u>	<u>47,215</u>	<u>945</u>
Insurance, Bonds, and Fringes:				
Employee insurances	17,000	17,250	18,169	(919)
Liability insurance	<u>25,000</u>	<u>24,600</u>	<u>24,518</u>	<u>82</u>
Total Insurance, Bonds, and Fringes	<u>42,000</u>	<u>41,850</u>	<u>42,687</u>	<u>(837)</u>
Debt Service:				
Principal retirement	35,500	35,714	35,714	-
Interest and fiscal charges	<u>9,500</u>	<u>9,516</u>	<u>9,516</u>	<u>-</u>
Total Debt Service	<u>45,000</u>	<u>45,230</u>	<u>45,230</u>	<u>-</u>
Total Expenditures	<u>1,381,500</u>	<u>1,392,840</u>	<u>1,408,996</u>	<u>(16,156)</u>
Excess Of Revenues Over (Under) Expenditures	<u>46,350</u>	<u>22,830</u>	<u>(11,669)</u>	<u>(34,499)</u>
Other Financing Sources (Uses):				
Transfers in	22,665	22,665	22,665	-
Transfers out	<u>(16,884)</u>	<u>(37,084)</u>	<u>(37,084)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>5,781</u>	<u>(14,419)</u>	<u>(14,419)</u>	<u>-</u>
Net Change in Fund Balances	52,131	8,411	(26,088)	(34,499)
Fund Balances - April 1	<u>346,154</u>	<u>346,154</u>	<u>346,154</u>	<u>-</u>
Fund Balances - March 31	<u>\$ 398,285</u>	<u>\$ 354,565</u>	<u>\$ 320,066</u>	<u>\$ (34,499)</u>

# Supplemental Data

## Nonmajor Governmental Funds

### Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

**Sewer Connection** - This fund was established to account for revenue from sewer connections that are specifically used for the maintenance, replacement and debt retirement of the township's sewer system.

**Water Connection** - This fund was established to account for revenue from water connections that are specifically used for the maintenance, replacement and debt retirement of the township's water system.

### Debt Service Funds

Debt service funds account for resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds.

**Goshorn Sewer Debt Service** - This fund is used to account for the collection of special assessments relating to the Goshorn Sewer Construction project, and the payment of bond principal and interest on the \$700,000 of Capital Improvement Bonds, Series 2005, sold on April 19, 2005 to finance the Goshorn Sewer Construction project.

**Goshorn Water Debt Service** - This fund was established to account for the current payment of principal and interest on the Goshorn Water Note Payable, which was used to finance the building of a new water main in the Goshorn Lake area.



**Laketown Township, Michigan**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**March 31, 2006**

	Nonmajor Special Revenue			Nonmajor Debt Service			Total Nonmajor Governmental Funds
	Sewer Connection	Water Connection	Total	Goshorn Sewer Debt Service	Goshorn Water Debt Service	Total	
<b>ASSETS</b>							
Cash and investments	\$ 105,807	\$ 107,109	\$ 212,916	\$ 37,676	\$ 44,833	\$ 82,509	\$ 295,425
Receivables:							
Special assessments	237	14,083	14,320	-	58,569	58,569	72,889
Due from other governments	143	969	1,112	-	410	410	1,522
<b>TOTAL ASSETS</b>	<b>\$ 106,187</b>	<b>\$ 122,161</b>	<b>\$ 228,348</b>	<b>\$ 37,676</b>	<b>\$ 103,812</b>	<b>\$ 141,488</b>	<b>\$ 369,836</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ -	\$ 15,902	\$ 15,902	\$ -	\$ -	\$ -	\$ 15,902
Deferred revenue	237	14,083	14,320	35,790	58,569	94,359	108,679
<b>Total Liabilities</b>	<b>237</b>	<b>29,985</b>	<b>30,222</b>	<b>35,790</b>	<b>58,569</b>	<b>94,359</b>	<b>124,581</b>
Fund Balances:							
Reserved	-	-	-	-	45,243	45,243	45,243
Unreserved	105,950	92,176	198,126	1,886	-	1,886	200,012
<b>Total Liabilities and Fund Balances</b>	<b>\$ 106,187</b>	<b>\$ 122,161</b>	<b>\$ 228,348</b>	<b>\$ 37,676</b>	<b>\$ 103,812</b>	<b>\$ 141,488</b>	<b>\$ 369,836</b>

Laketown Township, Michigan  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended March 31, 2006

	Nonmajor Special Revenue			Nonmajor Debt Service			Total Nonmajor Governmental Funds
	Sewer Connection	Water Connection	Total	Goshorn Sewer Debt Service	Goshorn Water Debt Service	Total	
<b>Revenues:</b>							
Charges for services	\$ 22,353	\$ 30,296	\$ 52,649	\$ -	\$ -	\$ -	\$ 52,649
Interest and rent	8,553	7,220	15,773	3,027	6,242	9,269	25,042
Other	6,360	10,978	17,338	-	28,085	28,085	45,423
<b>Total Revenues</b>	<u>37,266</u>	<u>48,494</u>	<u>85,760</u>	<u>3,027</u>	<u>34,327</u>	<u>37,354</u>	<u>123,114</u>
<b>Expenditures:</b>							
Current:							
Public works	4,252	40,691	44,943	-	-	-	44,943
Debt service							
Principal	-	-	-	-	49,421	49,421	49,421
Interest	-	-	-	24,493	8,722	33,215	33,215
<b>Total Expenditures</b>	<u>4,252</u>	<u>40,691</u>	<u>44,943</u>	<u>24,493</u>	<u>58,143</u>	<u>82,636</u>	<u>127,579</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>33,014</u>	<u>7,803</u>	<u>40,817</u>	<u>(21,466)</u>	<u>(23,816)</u>	<u>(45,282)</u>	<u>(4,465)</u>
<b>Other Financing Sources (Uses):</b>							
Transfers in	26,500	-	26,500	23,352	-	23,352	49,852
Transfers out	(101,399)	(9,066)	(110,465)	-	-	-	(110,465)
<b>Total Other Financing Sources (Uses)</b>	<u>(74,899)</u>	<u>(9,066)</u>	<u>(83,965)</u>	<u>23,352</u>	<u>-</u>	<u>23,352</u>	<u>(60,613)</u>
<b>Net Change in Fund Balances</b>	<u>(41,885)</u>	<u>(1,263)</u>	<u>(43,148)</u>	<u>1,886</u>	<u>(23,816)</u>	<u>(21,930)</u>	<u>(65,078)</u>
<b>Fund Balances - April 1</b>	<u>147,835</u>	<u>93,439</u>	<u>241,274</u>	<u>-</u>	<u>69,059</u>	<u>69,059</u>	<u>310,333</u>
<b>Fund Balances - March 31</b>	<u>\$ 105,950</u>	<u>\$ 92,176</u>	<u>\$ 198,126</u>	<u>\$ 1,886</u>	<u>\$ 45,243</u>	<u>\$ 47,129</u>	<u>\$ 245,255</u>



August 4, 2006

Mr. Al Meshkin  
Manager  
Laketown Township

In planning and performing our audit of the financial statements of Laketown Township for the year ended March 31, 2006, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, during our audit we became aware of the following matter that is opportunity for strengthening controls and operating efficiencies.

**Travel expense reimbursement** - During the year, the Township used a non-accountable plan method of reimbursing an employee for expenses incurred on behalf of the Township, but did not report this amount on the employee's W-2 as wages. We recommend the Township either use an accountable plan for reimbursing employees, or appropriately include payments under a non-accountable plan as W-2 wages, in accordance with IRS guidelines.

If you have any questions or would like to discuss any of the above in further detail, please contact us.

Sincerely,

*Kiekover, Scholma & Shumaker, PC*